# The Rise of The Social Business Inside

Uncovering your hidden ROI



In the quest to drive increased ROI, businesses have traditionally looked to streamlining business processes by either automating or re-engineering their existing processes. This typically takes the form of a top down organisational review of current processes and perhaps the application of lean manufacturing, six sigma or benchmarking principles to squeeze that little bit of extra return from the business. For the larger more mature firms however, the marginal gains from continually applying such approaches are now diminishing. Under increasing pressure to improve returns some of these firms are now looking 'outside the box' for a new way and have discovered the 'social business within'.

In this article we articulate how organisational performance factors like organisational efficiencies, core competency management and key stakeholder engagement can be assessed from a social or organisational networking perspective, to uncover new ROI opportunities. We illustrate their application with case studies, including two large and mature Italian businesses that have applied the new organisational networking approaches to look for new sources of ROI potential.

*\* This paper is a pre-release version of **Verso il Social Business,** di Laurence LockLee, Emanuele Scotti, Rosario Sica HBR Italia May 2011 (in Italian) http://hbritalia.it/article/577/*

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# The Rise of The Social Business Inside

There is no shortage now of articles, papers and books pronouncing the power of networks in business. The social software boom driven by Facebook, Twitter, Linkedin and the like are now encroaching inside the enterprise. Coming out of one of the worst recessions in living memory many organisations are now starting to question their traditional ways of working and managing. Not without good reason; as some compelling data from the 2009 report by Deloittes on "the Big Shift"[1] highlighted the deteriorating Return on Assets performance of big firms over the past 40 years, the increasing turnover of firms on the leader boards of the world's stock markets and with between 75% and 80% of their staff lacking passion for their day-to-day work. Many of these firms have entrusted their performance improvement initiatives to traditional top down, business process focused methods for identifying inefficiencies. Invariably changes made resulted in more complex rules for staff to comply, which no doubt contributes to the lack of passion identified in the Deloitte's study.

It is therefore no surprise that social software facilitated collaboration inside organisations can be a welcomed experience for the operational workforce, though maybe not so welcomed by their management. The bottom up, people centred approach to performance improvement is in stark contrast to the traditional top down, business process centred approaches and therein lies the cause of the existing tension. The pressure to perform

*SNA is a bottom up analytical tool that focuses on the people and their relationships with one*

however is such that mature organisations are now more willing to explore new, non-traditional ways to enhance their performance. Many are looking at the 'social business inside' by cautiously embracing social media enabled collaboration inside their organisations and out to their customers and suppliers, looking for that next step change in corporate performance.

If we look at the modern enterprise today, its complexity far exceeds those of its industrial age predecessors. The ecosystems that exist within and around them demand more appropriate analytical toolsets to better understand them and then work with them. While business process analysis (BPA) is the technique of choice for industrial age firms, social network analysis (SNA) is the technique of choice for the 'social business'. BPA is a top down analytical tool focused around processes largely independent of the people who execute them. SNA is a bottom up analytical tool that focuses on the people and their relationships with one another, largely independent of any defined business process.

By way of illustration it is useful to think of analysing organisations in the same way that a doctor might analyse a patient. The X-ray has afforded the doctor a tool that can look inside the human body to help diagnose problems or issues. Organisational analytical tools similarly aim to provide an 'organisational X-ray' to help managers diagnose organisational ills and design useful remedies. BPA is good for identifying the bone or skeletal structure. It can map and identify the major hard structural components and identify issues with them. SNA provides a more sophisticated scanning mechanism, capable of identifying the softer muscle, tissue and nervous system. Its outputs are not as crisp and clear, but its ability to

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[1] See http://bit.ly/dJmT9V

identify subtle issues invisible to BPA is where it adds most value. In practice organisations will most likely need both BPA and SNA to achieve an effective organisational X-ray.

*Organisations are less interested in the detail of SNA measures, but how they are interpreted in the context of their core business*

rays are relatively few. However, the opportunity to leverage the 'social business inside' is compelling enough to influence some of the most established and mature organisations to explore what might be.

## The SNA 'X-ray'

Thanks to the prior efforts of the social network analysis researcher community we now have quite mature methods for visualising and analysing a social network. The technology has matured to the extent that vast networks can now be visualised and analysed. A plethora of social network measures have been designed to help interpret SNA maps and data. As with any field moving from the research stage to mainstream practice, standard approaches need to be devised that can be easily replicated and give comparable results when applied. . Just as the medical specialist reads and interprets the X-ray and plethora of test results for a patient, the patient relies on the specialist to interpret these results in terms on the impact on their health and well being. In these early days of exploitation of SNA by corporate enterprises the number of specialists who have interpreted large numbers of organisational X-

## What are mainstream businesses interested in?

Continuing the medical analogy, what are mainstream businesses interested in terms of a health check? What are externally visible are measures like revenue, cost of sales, profits and share price. But what about inside the enterprise? What is invisible that we would like to see in our organisational X-ray? How robust are our core human competencies? How efficient is our organisational design? What are the trust levels like inside our organisation, and for that matter outside to our external stakeholders? How much more effective could we be if we had access to an organisational X-ray they would help us see what is going on here? In the following sections we will see how a number of organisations, including two large
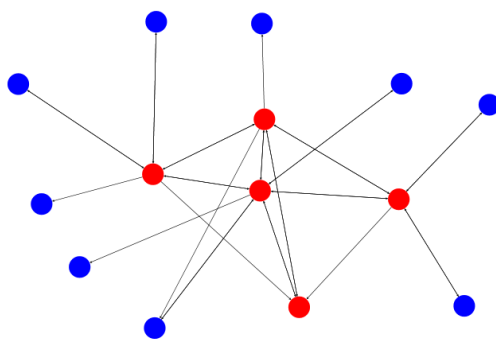


Organisation A        Organisation B
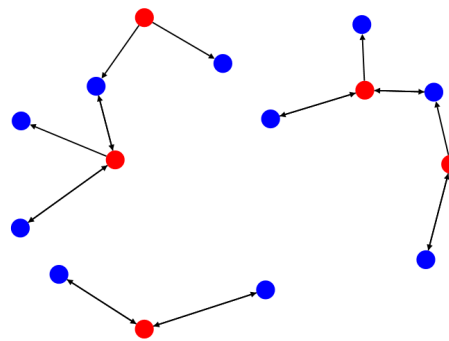
🔴 Discipline Specialist

- Same number of specialists and same individual skill levels and experience;
- Which organisation has the strongest capability?

and mature Italian headquartered firms took advantage of the organisational X-ray using SNA techniques, to answer questions just like these.

## How Robust are our Core Human Competencies?

The traditional approach to assessing competencies is by looking at individual profiles of education, skills and experience and then

Each colour identifies a different discipline. One can see that most of the disciplines are clustering well. However, one can also see where the discipline groups are split or separated to some degree, leaving room for improvement.

Where there is a specialist discipline that services most of the operating areas like Health Safety and Environment (HSE), it is not only the competency held within the discipline, but also how well it is engaging with its 'clients' that is
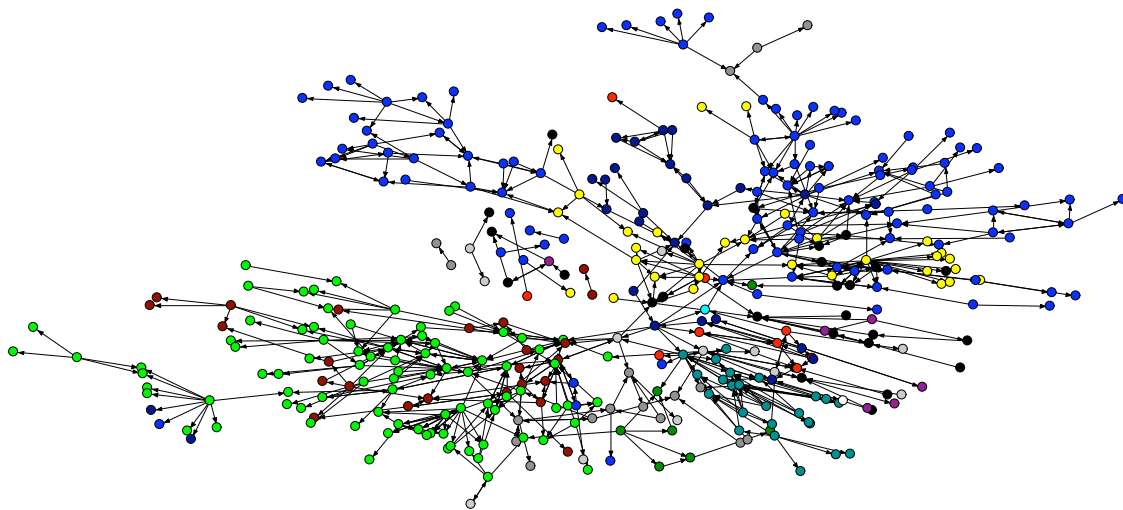


counting them to see if there are any deficiencies in the overall count. They tend to take no account of how connected specialists may be to each other. A strong cluster of specialists is going to infer a much stronger organisational capability that than a group of isolated specialists.

It is now not uncommon for mature industrial organisations to be concerned about their ageing workforce and the potential loss of critical technical expertise. This Italian headquartered integrated energy company with nearly 80,000 employees was similarly concerned about sustaining their competency base. The following X-Ray exposes how connected the different technical disciplines are across one of their operating sites:

important.

In the map below, the HSE function is mapped showing its prime interactions with the other disciplines. The relative size of the node reflects the relative 'demand' for connections. One can see that the HSE function is principally only connected with four of the other disciplines. In terms of 'demand' it is at the lower end, leaving plenty of room for improvement.
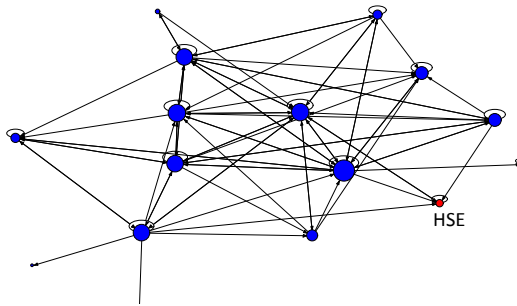
In summary, if you see people and their respective talents as key to your ROI, SNA can show you that capability as a function of how densely they are connected with each other, but also how well connected to those that they need to share their expertise with.

## How Efficient is our Organisational Design?

If we look at the dictionary definition of 'efficiency' we will see two themes. One theme is related to machines and goes something like: '...the ratio of the work done to the energy required...'; the other theme is more people centred: '...using the requisite knowledge, skill, competence and capability...'. It's not hard to identify which definition should be the most appropriate for today's businesses. Though the former definition is appealing to industrial age companies, the world has moved on. Effective knowledge sharing is now the platform on which efficient organisations are based. Over 50% of job roles today require knowledge sharing interaction with others, as opposed to

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the industrial age when the majority of workers were employees as individual piece workers[2].

One of the most used tools by executives to enact positive change in their organisations is the organisational structure. In the search for increased organisational efficiency they will aim to establish groups by product line, specialist discipline, customer sector, geography, and any combination of the above. Unfortunately the overall effect on efficiency might only be identifiable in retrospect once the external accounting metrics become available. So how can one look inside the organisation to identify how effective an organisational structure is?

BPA can measure inter-unit flows and simulate flows using sophisticated modeling methods. These methods are however time consuming and expensive as well as looking like the dreaded 'time and motion' study. SNA however, can identify how the work is really being done at the operational level. Using the premise that efficiency is ultimately predicted by effective knowledge sharing between business units we can perform a 'knowledge sharing mass balance' looking at the demand between for unit. Ideally, if demand is balanced between units i.e. no over-loaded or under-loaded units, then the organisation is efficient. Inevitably we will find that some units are in strong demand and in effect, overloaded. We will find other units that draw strongly from other units but have little demand for their own knowledge. Both situations merit further analysis.

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[2] See https://www.mckinseyquarterly.com/Strategy/Strategic_Thinking/A_revolution_in_interaction_192?gp=1

To illustrate how SNA is used to assess organisational efficiencies the method was employed by the IT division of a major Italian headquartered bank.
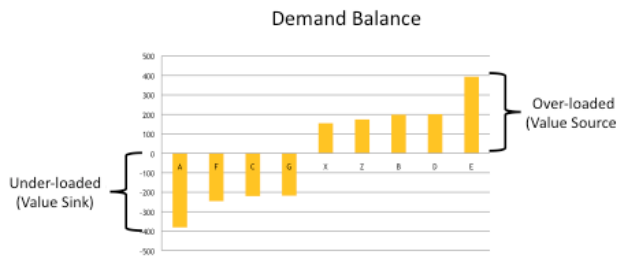


The above demand balance chart was used to identify from the 40 business units being analysed, those that had shown the greatest knowledge flow imbalance either from excess of demand on other units over demand for its own services (value sink) or an excess demand for its own services over demands it makes on other units (value source). Both extremes are not sustainable if maximum efficiency is to be achieved. Value sinks draw heavily from other units but provide little in return. Value sources may appear more positive, but they could also be bottlenecks and they will eventually need to draw more from other sources if they are to maintain their value.

The business units identified at the extremes were then subjected to the following analysis to look for potential interventions to increase overall efficiencies.

For the value sinks; is the reason for their imbalance a lack of skills or experience? Do they lack visibility? Are they in fact over resourced and creating 'phantom' demands? For the value sources; is the high demand because they are under-skilled or under-resourced and therefore lack delivery capability? Do they avoid asking for help from other units?

In summary, organisational inefficiencies can very quickly impact on an organisation's ROI. Overloaded or under-utilised business units can often be masked from executive view. Detailed BPA studies can be expensive, time consuming and intrusive. Through SNA, with a quite modest effort, the key sources of inefficiencies can be quickly identified and corrective actions put in place.
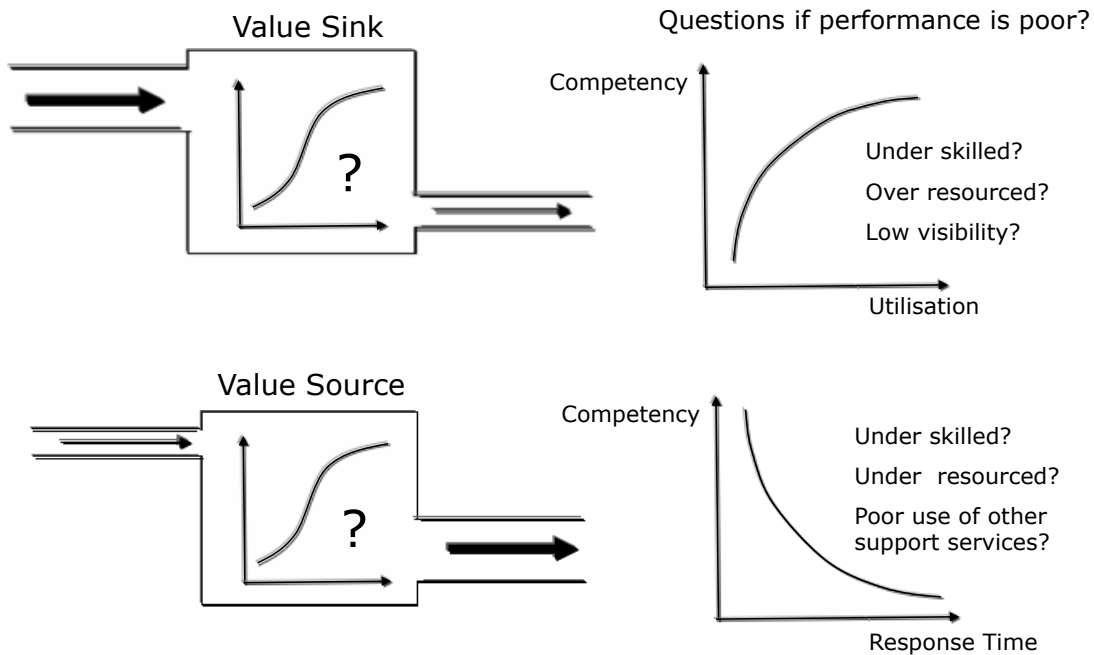
## How effective are we in engaging with our stakeholders?

When organisations talk about their stakeholders they are often referring to external groups like their customers and suppliers or perhaps even the communities that they operate in. In today's organisations the term can also be applied to internal groups as internal units look to engage horizontally across the organisation, rather than having to work through the formal hierarchy. Fundamentally we want to have trustful relationships with our stakeholders, be they internal or external.
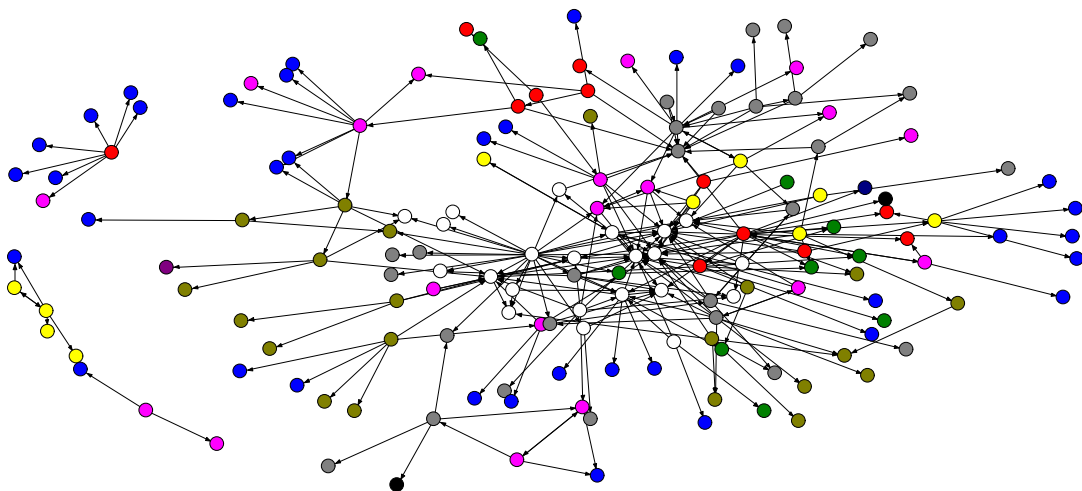
Traditional approaches to stakeholder engagement have been to identify them, categorise them and then tailor appropriate communications strategies for their effective engagement. Today however, the sheer number and complexity of stakeholders an organisation may have can make this process quite daunting. For public sector organisations this is exacerbated by the breadth of staff who engage directly with external stakeholders. SNA techniques are an efficient method for surfacing the 'stakeholder ecosystem'. They are able to not only identify the direct relationships between individual roles in the organisation

*SNA techniques are an efficient method for surfacing the 'stakeholder ecosystem'*
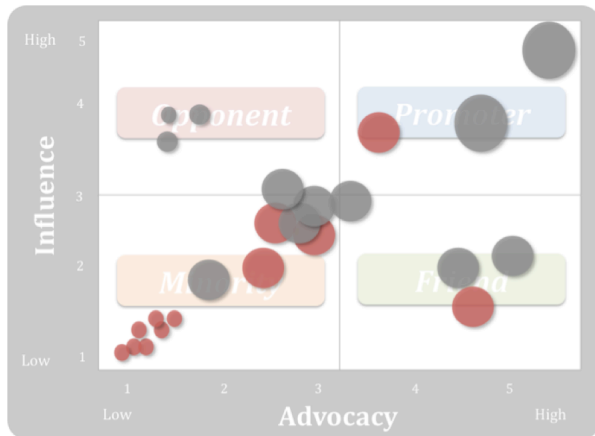
with external stakeholders, but also the relationships the external stakeholders may have with other external stakeholders. This richer picture can provide better intelligence on the respective influence a stakeholder can have on your own performance.

To illustrate external stakeholder engagement two public sector agencies are used. The first is a UK regional council that was undertaking some major programs for and with community groups. The second is an Australian social service agency who wanted to understand the complex web of relationships that they had with the plethora of non-government agencies. In both cases extensive surveying of external stakeholders was not economically feasible, so an SNA study was conducted substantially using their internal staff who regularly reached out to these external stakeholders.

For the UK council they surveyed their internal staff (white nodes) and a selection of their close partners to come up with this stakeholder ecosystem. In this map only the 'strong' relationships are shown. What is quickly evident is that the map can get large and complex very quickly and a means for prioritising stakeholders is needed. This activity was conducted by the Australian agency by categorising stakeholders according to their

potential influence on your performance and their current level of advocacy for you.



From the survey results the stakeholders were placed in this influence vs advocacy matrix classifying them as priority, opponents, friends or minorities. The size of the circles represents relative attention currently paid to the stakeholder. It immediately becomes apparent which stakeholders need more attention (opponents), which stakeholders need to be supported (priority) and also which stakeholders can potentially receive less attention (minorities).

In summary, SNA can help organisations visualise their complex web of stakeholder interactions and then prioritise the attention that they need to pay to them. This not only helps with internal efficiencies but also helps build new revenue streams and therefore ROI and improved shareholder value through enhanced reputations.

## Conclusion

We have recently seen how the power of social media has helped presidents get elected and long-term dictatorships to be overturned. In this paper we have identified how even quite mature organisations are now exploring the power of the social business that exists inside their organisations. To do this they have explored how SNA techniques can provide the organisational X-ray they need to understand what is really going on inside their organisations and then to leverage the power of the relationships that it exposes. We have illustrated through examples, how core business issues like core competency risks, organisational efficiencies and stakeholder engagement have been effectively addressed using new social business analysis techniques. The new insights gained from 'social business measures' can clearly impact traditional business measures like ROI and shareholder return.

# ABOUT OPTIMICE

Optimice provides specialised consulting services to help organisations map and improve business relationships at multiple levels. Optimice identifies relationship patterns between people, organisations or markets, and we have improved the basic techniques to optimise these relationships in a compelling business-focused context.

Our Partnership Scorecard™ helps organisations manage the intangible relationship aspects of outsourcing, smart sourcing, alliances, joint-ventures and similar complex business frameworks.

Our specialized survey tool http://www.onasurveys.com provides consultants and other practitioners the most effective and user friendly tool available on the market to collect data on business relationships.

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